

between the appointment of a Receiver and the reorganization of the Company. In order to get the plant in operation as soon as possible, Aldred settled various claims and personally entered into a number of contracts whereby both construction and the manufacture of needed equipment would be resumed. Among these were contracts for cement, sand and stone for construction, as well as a contract with the Empire Engineering Corporation to carry on the construction work. (See Exhibit No. 55) In addition, he made personal contracts with I.P. Morris Company for completion of the turbines; with General Electric Company for work on the generators, switchboard and transformers, and with the York Bridge Company for intake gates. These contracts were subsequently turned over to Pennsylvania Water & Power Company. All of these services were rendered by Aldred, not as receiver but as Manager of the enterprise, for which he received 5,000 shares of stock.

Committee Arranges Loans

On September 8, 1909, the Bondholders' Committee entered into an agreement with Knickerbocker Trust Company whereby the McCall Bonds deposited with the Committee were placed in trust with the Knickerbocker Trust Company as collateral for loans to be made to the Committee by the Syndicate. (See Exhibit No. 56)

On October 6, 1909, the Committee secured the first of a series of loans from Montreal Trust Company and the Bank of Scotland, the total of which aggregated \$1,100,000. The funds were used chiefly by Aldred toward the completion of the plant and by the Committee to purchase the Susquehanna Contracting notes of \$400,000. The remainder was used to defray current expenses of the Committee.

Distribution of Pennsylvania Water & Power Company Securities

Under the Final Plan and Agreement for Bondholders, provision was made for the exchange of all the McCall bonds outstanding (\$8,325,000.) on a par basis for 40% new bonds and 60% new stock. In addition, \$4,170,000. of bonds and \$3,500,000. of stock were to be used in acquiring additional money and in payment of services. This resulted in the following distribution of securities:

<u>Explanation</u>	<u>Bonds</u>	<u>Stock</u>
For Exchange of \$8,325,000.		
McCall Bonds	\$3,330,000.	\$4,995,000.
New Money Bonds (50% bonus)	4,170,000.	2,085,000.
Banking Services		
Kitcat & Aitken		457,500.
Aldred		155,000.
Wood		152,500.
Holt		150,000.
Aldred Management Services		500,000.
	<u>\$7,500,000.</u>	<u>\$8,495,000.</u>

There were \$66,000. of the McCall bonds which were not deposited with the Committee but were purchased for cash. This resulted in \$26,400. of Pennsylvania Water & Power Company bonds and \$39,600. of stock of the above securities becoming available as treasury bonds and stock.

Value of Pennsylvania Water & Power Company Stock

Inasmuch as bankers' services and management services were acquired by the issuance of stock, it is necessary to determine the cash value of the stock at the time it was issued.

The first evidence of values is revealed in the Company's minute book where Aldred's letter dated March 3, 1910 to the Pennsyl-

vania Water & Power Company accounts for certain expenditures made by him personally. One of these was the purchase of the \$66,000. McCall bonds not deposited with the Committee. Regarding their purchase at an aggregate cost of \$49,040., Aldred stated:

"I considered the aggregate price paid for bonds to be probably below rather than above what might be expected to be the fair value of the equivalent new securities at, or soon after, their issue."

(See Exhibit No. 57)

On the basis of exchange, the \$66,000. bonds were equivalent to:

\$26,400. par value of P.W. & P. Co. bonds (40%)
\$39,600. par value of P.W. & P. Co. stock (60%)

The use of a value of 90 for the bonds (the price at which they were sold) would result in a value of approximately \$64. per share for the stock.

The first known sale of stock was 100 shares at 38 on January 20, 1911. The next sale was March 1, 1911 - 100 shares at 62½ - and for three months thereafter, thirteen sales, totalling 1,189 shares, were made within the range of 59-5/8 to 63-3/4. Therefore, \$60. per share has been used as representing the fair cash value of the stock at the time it was issued for services.

Foreclosure and Sale of McCall Company Property

On October 12, 1909, a decree of foreclosure and sale was obtained in the Pennsylvania Court against the McCall Company. Similar decrees were secured in New York and Maryland on October 15th and 20th, respectively.

On December 1, 1909, a Committee meeting was held at which the action to be taken at the foreclosure sale of the McCall Company was discussed. It was decided to bid \$2,000,000. for the property, and as much more as might be necessary to purchase the same in case of com-

petitive bidding, but not to exceed the amount of principal and interest due on the bonds and the debts and expenses of the Committee. They decided that if any qualified bid by another was made in excess of this amount, he should be permitted to purchase the property.

On December 7, 1909, the property of the McCall Company was sold to Wm. M. Barnum, acting for the Bondholders' Committee, for \$2,000,000. (See Exhibit No. 58) On December 18th, the order of the Pennsylvania Court, confirming the sale, was issued, (See Exhibit No. 59), and there followed four days later similar orders from the Maryland and New York District Courts.

XII - COMPLETION OF CONSTRUCTION BY
PENNSYLVANIA WATER & POWER COMPANY

Formation of Pennsylvania
Water & Power Company

On January 13, 1910, a meeting for the reorganization of McCall Ferry Power Company was held in Philadelphia. All the members of the Bondholders Committee were present. The following officers and directors were elected to serve until the first Monday in May 1910:

J. E. Aldred	- President and Director
W. Marriott Canby	- Director
Fayette B. Dow	- Director
John H. Kelly	- Director
Frank C. McCown, Jr.	- Director
Kenneth M. Spence	- Director

The name, Pennsylvania Water & Power Company, was then adopted.

The authorized capital stock was determined to be 170,000 shares of \$50. par value each for a total of \$8,500,000. Approval was given for the issuance to the Committee of \$7,580,000. of one year unsecured bonds and 169,900 shares of stock, in exchange for the property and other assets of the former McCall Ferry Power Company, the benefits of the Committee's expenditures in respect of the property, the remaining cash in the hands of the Committee and other miscellaneous assets. All agreements not fully performed by the Bondholders Committee were to be carried out by the Company. Meetings of the directors and stockholders necessary to complete the organization of the Company were held the same day.

(See Exhibit No. 60)

In February 1910, the number of shares of stock was reduced to 85,000 and the par value of each increased to \$100.

Status of Work at Organization of Pennsylvania Water & Power Company

During the period from July 17, 1909, when Aldred was appointed Receiver, to January 13, 1910, when the McCall property was purchased from the Bondholders Committee by the newly-formed Pennsylvania Water & Power Company, additional construction had been carried on, chiefly by Empire Engineering Corporation under its contract with Aldred.

Power House: The metal draft tube throats and shell castings for the water wheels were placed for the first five units and concreting brought up to subgrade of the generator room floor for the first four units. The side walls for the first three units and at the river end of the power house were completed and roof tile laid on this area. The wall between the transformer house and generator room had been brought up to the crane level to Unit 7. The submerged intake arches had been completed and concrete poured to the level of the gate house floor as far as Unit 6.

Main Dam: The York County end and abutment had been completed, leaving only 14 flood openings in the whole dam. The seven flood openings on the Lancaster side had been raised ten feet.

Deflection Wall: The section between the construction bridge and the skimmer wall had been completed.

Forebay: The connecting bulkhead had been brought up to its full height.

Increase in Indebtedness

On January 22nd, a meeting of the Directors of Pennsylvania Water & Power Company was held for the purpose of securing approval of an

increase in the Company's indebtedness. They approved an increase to \$12,500,000. subject to stockholder ratification. The Stockholders approved the increase on January 25th, and authorized the execution of a mortgage and deed of trust on the Company's property for the same amount. On January 27th, a mortgage was executed with Knickerbocker Trust Company, as Trustee, effective January 1, 1910, covering the issuance of \$12,500,000. of bonds.

Voting Trust

On January 27, 1910, a Voting Trust was formed, the Trustees being Aldred, Barnum and C. E. F. Clarke, Treasurer of the Company. Because of the change in par value of the stock from \$50. to \$100. per share a new Trust with the same Trustees was formed on February 7, 1910. (See Exhibit No. 61)

Receiver's Report Filed

Aldred, Receiver for McCall Company, filed his report on February 21, 1910. This showed that he had received cash of \$173,166.27, which included \$100,000. from the \$250,000 original deposit with Knickerbocker Trust Company in connection with indemnification for railroad relocation. His disbursements were \$33,722.91, leaving a balance of \$139,443.36 to be turned over to the Pennsylvania Water & Power Company. (See Exhibit No. 62) The Court discharged the Receiver on March 18, 1910.

Bondholders Committee Report

At a meeting of the directors on March 3rd, a report was received from the Bondholders Committee showing the receipts and disposition of all moneys received by it to March 1, 1910 and by Aldred as Manager of the enterprise.

I - McCall Company Bondholders' CommitteeSummary Cash Statement

<u>Receipts</u>	<u>Expenditures</u>
Proceeds of Committee's Notes \$1,100,000.00	Payment of Committee's Notes principal and interest \$1,103,763.88
Proceeds of Bonds - \$2,222,000. par value at 90 and int. 2,007,405.50	Payment of cash to Penn- sylvania Water & Power Co. on a/c 750,000.00
	Advances to J. E. Aldred, Receiver, for use in construction 600,000.00
	Purchase of Susquehanna Contracting Co. Notes at par and int. 422,983.32
	Payment to Special Master under decree in fore- closure suit 15,000.00
	Settlement of claims against McCall Ferry Power Co. 51,874.14
	Reorganization Expense: Payments to counsel, depositaries, Secretary, Montreal Trust Co., and for travelling expenses, printing, etc. \$38,064.77
	Committee's compensation 40,000.00 78,064.77
	Balance of cash on hand (of which amount the Committee proposes to turn over to the Pennsylvania Water & Power Co. \$62,658.30 and to retain for future disposition 23,061.09) 85,719.39
<u>\$3,107,405.50</u>	<u>\$3,107,405.50</u>

II - J. E. Aldred in Account with Bondholders Committee
on Account of Pennsylvania Water & Power Company

Debit

For Disbursements

Engineering

R. S. Kelsch	\$ 2,683.49
J. A. Walls	50.00
Cement Tests	1,532.03
Empire Eng. Corp.	<u>13,328.81</u>
	\$ 17,594.33

Material, Labor, etc.

McCall Ferry Dis'bts.	\$146,749.35
Water Wheel Contract	100,000.00
Stone	10,336.73
Insurance	<u>822.79</u>
	257,908.87

Interest on advance pay-

ments on bonds	28,197.60
Cash funds transferred to P.W.&P.Co.	<u>163,060.25</u>
	<u>\$466,761.05</u>

Credit

Cash advanced	\$600,000.00
Bank interest	288.04
Insurance rebate	139.18
Interest (estimated)	<u>1,222.60</u>
	\$601,649.82

Total credit	\$601,649.82
Total debit	<u>466,761.05</u>

Balance due Committee	<u>\$134,888.77</u>
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III - Cash Advanced by J. E. Aldred Personally
and Expended as Manager

C. & P. D. R.R. Relocation

Right of Way	\$ 47,075.00
Construction	<u>35,051.17</u>
	\$ 82,126.17

Purchase of \$66,000 McCall Bonds

Dash for bonds	\$ 49,040.00
Legal Services	<u>2,500.00</u>
	51,540.00

Interest (estimated)

1,222.60

Total

\$134,888.77

Aldred accompanied his statement with an account of his activities both on behalf of the Bondholders' Committee and on his own initiative as Manager of the enterprise.

At this meeting all of the contracts which Aldred had entered into in connection with the McCall development were assumed by Pennsylvania Water & Power Company. The actions and expenditures of both the Committee and Aldred were also approved and accepted.

(See Exhibit No. 57)

Full Board of Directors Elected

The terms of the original directors expired May 2, 1910. On this date the following directors were elected:

J. E. Aldred	R. E. Griscom
R. M. Aitken	H. S. Holt
Wm. M. Barnum	G. M. Lane
A. C. Bedford	S. L. Lewis
C. E. F. Clarke	F. C. McCown, Jr.
W. M. Canby	M. E. Olmsted
A. V. Davis	E. R. Wood
W. R. Warren	

On February 7, 1911, Canby and McCown were replaced by J. A. Walls and F. D. Carney.

Consolidated Company Power Contract

A new power contract was executed with the Consolidated Gas Electric Light and Power Company of Baltimore on August 29, 1910, on terms more favorable to Pennsylvania Water & Power Company than the old McCall Company contract had been. Under its terms the amount of power to be taken for a ten year period was two-thirds of the Consolidated Company's peak load of each preceding year. For the first year of the contract 13,333 kw. were to be taken with a minimum of 70,000,000 kwh. The rate to be paid for energy taken was four mills per kwh. Delivery of power under this contract was started on October 23, 1910, with but

one unit in service. (See Exhibit No. 63)

United Railways Power Contract

A new power contract was executed with United Railways & Electric Company of Baltimore on February 8, 1911, effective for fifteen years from that date. Under its terms 12,000 kw. was to be available at all times, for which an annual charge of \$24. per kw, would be made. Enough additional power was to be supplied to carry the entire load of the Railways between 10 P.M. of one day and 1 P.M. of the next as well as all day Sundays. For this additional power an energy charge of three mills per kwh. would be made. (See Exhibit No. 64)

XIII - TRANSMISSION COMPANIES

Willis & Homer Retained

As hereinbefore stated the contract with the Consolidated Gas Electric Light and Power Company which was signed on March 13, 1907, provided for delivery of power in Baltimore by McCall Company. At the time, details of a contract with United Railways and Electric Company were being worked out and actual signing of the contract was merely a matter of time. During the period of these negotiations, consideration had been given to the organization of transmission and distributing companies. Surveys and investigations for rights of way for the proposed transmission lines were started the latter part of 1906 and actual acquisition began in June 1907. At this time Willis & Homer, who had previously been appointed attorneys for McCall Company's interests in Maryland, were requested to acquire right of way and incorporate companies necessary for a transmission line from McCall Ferry to Baltimore.

Maryland Pole Line Companies

The Susquehanna Pole Line Company of Baltimore County was incorporated on June 27, 1907, for the purpose of obtaining right of way in Baltimore County and, on August 13, 1907, the Susquehanna Pole Line Company of Harford County was incorporated for the same purpose in Harford County. Each company had authorized capital stock of \$50,000. of which only five shares of \$100. par value each were issued. The ten shares of outstanding stock of the two companies were owned by McCall Company and the directors for each company were selected from the respective counties with a view of assisting in the acquisition of rights of way.

Pennsylvania Pole Line Companies

Lower Chanceford Township Transmission Company and Peach Bottom Electric Transmission Company were incorporated in Pennsylvania on November 18, 1908, the primary purpose being to provide transmission lines through these townships from the McCall plant to the Maryland state line. Each company had authorized capital stock of \$5,000. of which only five shares of \$100. par value each were issued. The ten shares of outstanding stock of the two companies were owned by McCall Company.

Rights of Way and Construction

Between June 1907 and December 1908, when McCall Company defaulted on its bond interest, advances totalling approximately \$100,000. secured by notes, were made to Willis & Homer for the account of the Pole Line Company of Baltimore County. Expenditure of these funds by Willis & Homer was made for the benefit of all the pole line companies in acquiring rights of way and for surveys. In January 1910, Pennsylvania Water & Power Company resumed the acquisition of rights of way and began construction of the transmission line. The line was constructed by October 1910.

Merger of Pole Line Companies

The two Pole Line Companies in Maryland were consolidated on April 19, 1910, to form the Susquehanna Transmission Company of Maryland and the two companies in Pennsylvania were merged on April 26, 1910, to form the Susquehanna Transmission Company of Pennsylvania. Two shares of stock of the predecessor companies were exchanged for one share of stock of the merged companies.

Financing of Transmission Companies

In 1907-08 McCall Company had advanced approximately \$100,000. to the Pole Line Companies. In 1910 Pennsylvania Water & Power Company advanced additional funds on open account for completion of acquisition of right of way and construction. In March 1911, Susquehanna Transmission Company of Pennsylvania issued \$183,000. of 5% First Mortgage Bonds at 90 to Pennsylvania Water & Power Company covering practically all advances made to the Transmission Company up to that time. In September 1911, Susquehanna Transmission Company of Maryland issued \$1,031,000. of 5% First Mortgage Bonds at 90 to Pennsylvania Water & Power Company covering substantially all of the advances made the Maryland Company up to that date. Additional bonds were issued from time to time to cover other advances.

Both the bonds and the stocks of the Transmission Companies were pledged by Pennsylvania Water & Power Company as additional collateral under its mortgage.

XIV - HISTORY OF ACQUISITION OF PROPERTY AND RIGHTS

General

The following is a summary of the acquisition of property and rights prior to the beginning of commercial operation on October 1, 1911, and disposition of those not needed for the Holtwood development. No attempt has been made to present all property acquisitions but the major ones which are explained, represent practically all of the properties and rights essential to the Holtwood development. In conformity with the scope of the general history, this explanation of property acquisitions has been limited to transactions occurring prior to the beginning of commercial operation.

Resume' of Previously Detailed Acquisitions

Upon the failure of the Dimock-Bertron-Barney Underwriting, Harvey Fisk & Sons acquired all of the Hutchinson property and rights on the Susquehanna! The Fisk firm also purchased all the rights and interests of Harlow-McGaw. These two acquisitions (shown on the accompanying map) constituted substantially all the property needed for a development at McCall Ferry as well as considerable property and rights above and below the area required for the McCall project. Most of this excess property was necessary for other developments along the river, and its retention prevented its use by competing interests and thus gave an opportunity for McCall Company to secure the desirable power markets.

Robert Fry Property

About the first of November 1905, the McCall Company was in the early stages of construction, clearing of the site having been started on October 24th. Robert T. Fry at that time was holding his property, which

was necessary for the development, for an exceedingly high price. Due to the urgency of obtaining this Fry property, Simpson, Thacher and Bartlett obtained an opinion from John G. Johnson on the matter of the McCall Company's power of condemnation.

Our records indicate that as early as 1902, the subject of the right of eminent domain for water power companies had been given serious consideration and much study. Opinions were rendered by Beyer, Semple and Johnson and the consensus was that, while these companies could appropriate the waters of rivers and streams, they must be the owners of land on both sides at the point of erection of a dam and must not injure the rights or privileges of private owners of property on the river. There was thought to be no limitation upon water power companies as to obtaining a supply of water, or acquiring land for their requisite buildings and works, but even this apparent right to condemn for the erection of works had not been tested in the courts.

On October 31, 1905, Simpson, Thacher and Bartlett submitted the question to Johnson and on November 3rd received a reply that the company had such rights as respects terminal and construction purposes. They desired to institute condemnation proceedings as soon as possible since the Fry tract was required for construction buildings, storage sidings, for the abutment of the east end of the dam and to form a portion of the storage reservoir. McCall Ferry Power Company, through Wm. F. Beyer, filed a petition for this purpose in the latter part of November. The hearing was postponed to the latter part of December due to the full Court Docket. During this period of waiting, Johnson was asked to handle the matter because of the importance of the case and the papers in the case were sent to him. Beyer later gave him all of

the details at a personal interview. As a result of this interview, Johnson learned that the McCall Company was incorporated on April 14, 1905, one day after the right of eminent domain to water companies had been further restricted. This new information changed Johnson's opinion in the matter so that he then thought that no right of eminent domain existed for water power companies incorporated after April 13, 1905. His new idea was to stretch the case out over a long period of time and negotiate for a private purchase. In the meantime, commitments had been made, predicated upon the ownership of this tract and immediate possession by the company was necessary. This fact, and Johnson's doubt as to the probable outcome of the condemnation case, very likely were the reasons for the renewal of negotiations to obtain the Fry property by purchase. The parties finally came to an agreement upon a price of \$28,000. on January 13, 1906, although Fry had demanded \$35,000. in December. The condemnation case was dropped and, consequently, the application of the principle of eminent domain to the McCall Ferry Power Company was never settled. Their doubt as to this right probably had a material effect on the prices later paid for properties, and undoubtedly was a primary cause of the subsequent abandonment of the consideration of a dam at 185 elevation. (See Exhibit No. 65)

Piney Island

In September 1905, the owners of Piney Island, which was situated just below the site of the proposed dam, began negotiations for the sale of the island to McCall Company and threatened to bring suit for damages unless the island was purchased. This island was the upper one of a chain of islands which separated the proposed tailrace from the main river and the one upon which a deflection wall from the

main dam would have to shut. After more than a year of negotiations, Piney Island was purchased for \$27,000.

Witmer Properties

The Witmer properties consist of land in fee and flowage releases extending from the Mt. Atlas Tract to Long Level, in York County, and from Safe Harbor to Washingtonboro, in Lancaster County, but the properties are not contiguous on either side of the River. The group of properties had been assembled by John M. Witmer, in conjunction with John F. Brimmer and John W. Holman, who were apparently working under some sort of an understanding with the firm of Pepper & Register.

The properties were acquired between the years 1900 and 1902 and title was taken in the name of Witmer. The firm of Pepper & Register did not exercise its option, so that by agreement dated August 25, 1905, Witmer sold these properties and rights to the Susquehanna Contracting Company, for a consideration of \$40,000., of which \$7,500. was paid at the time of the signing of the agreement and the balance (\$32,500.) on January 22, 1906 upon delivery of the deeds. These properties were acquired because they were deemed necessary for a project having a dam crest elevation of 185, which was the elevation contemplated at the time of this acquisition.

Miscellaneous Properties

In addition to the foregoing properties and rights, various other minor acquisitions were made to complete the requirements for flowage basin, railroad relocation, etc.

XV - DISPOSAL OF NON-USEFUL PROPERTY AND RIGHTS

Consolidation of 1908

It has been mentioned in "I - General Description of the Susquehanna River and Its Early Utilization," that there were three major interests competing in the development of the river. In addition to McCall Company these were Susquehanna Electric Power Company and Susquehanna Power Company. Harlow-McGaw had been associated with the Electric Power interests but the properties they sold to McCall Company had been held in their individual names. In addition to these properties, the Electric Power Company held certain properties and rights which did not pass to McCall Company. Following the sale, Harlow became Chief Engineer of Susquehanna Power Company.

In July 1906, Susquehanna Power Company instituted condemnation proceedings in order to acquire certain properties of McCall Company in Maryland. Subsequently similar proceedings were instituted against Susquehanna Electric Power Company. McCall Company made an unsuccessful attempt to secure an injunction restraining Susquehanna Power Company.

The McCall interests had no particular objection to the amount of damages which the juries had awarded in August and September 1906, but were primarily concerned with preventing any competing company from acquiring sufficient property for a development. Their entire handling of the matter in subsequent proceedings shows an effort to deny the right of condemnation to the Susquehanna Power Company and to delay the result as long as possible in order to permit the McCall Company to complete power contracts for desirable markets. By requesting new trials, transfers to other courts and appeals to higher courts, McCall Company succeeded in preventing a final decision.

After an unsuccessful attempt to acquire control of Susquehanna Power Company, Bertron, Storrs & Griscom secretly secured control of Susquehanna Electric Power Company in April 1907, but notified McCall Company of the fact. (See Exhibit No. 66)

Realizing that the condemnation proceedings were becoming costly and that the final outcome was uncertain, Susquehanna Power Company proposed a consolidation of what it still believed were three competing interests, for the development of the river below McCall Ferry. At a meeting of the McCall Company Executive Committee held February 5, 1908, a consolidation of interests of Susquehanna Power Company, Susquehanna Electric Power Company and McCall Company was approved and the firm of Bertron, Storrs & Griscom was appointed to represent the McCall interests. It should be recalled that the Susquehanna Electric Power Company interest had passed to Bertron, Storrs & Griscom in 1907 and consequently in arranging the consolidated agreement they represented two of the three parties. This fact was unknown to Joel H. De Victor, who represented the Susquehanna Power Company.

The Consolidation Agreement was signed February 20, 1908, between

1. Joel H. De Victor for the Susquehanna Power Company
2. John Henry Miller and Wm. H. Surratt for the Susquehanna Electric Power Company
3. Bertron, Storrs & Griscom for the McCall Ferry Power Company

The agreement called for the pooling of all holdings by the three companies between Cully's Falls (elevation 103) and elevation 12' in the river. The proration of shares of the pooled interests was on the basis of original control of river property in terms of feet of fall of the river past the property in question. On the basis of 103' 12'

91' fall, the division of holdings was determined to be:

1. Susquehanna Power Company	30/91
2. Susquehanna Electric Power Company	23/91
3. McCall Ferry Power Company	38/91

(See Exhibit No. 67)

All property in Maryland was transferred to the Susquehanna Power Company and that in Pennsylvania to the Sowego Water and Power Company, all of whose common stock was owned by the Susquehanna Power Company. The Susquehanna Power Company had been selected as the vehicle by which the merger of interests was to be effected, as at that time it had broader corporate power than any of the other companies.

Distribution of Susquehanna Power Company's Securities

All the outstanding capital stock of the Susquehanna Power company was issued to the three parties of the agreement as follows:

Susquehanna Power Company	1,319 shares
Susquehanna Electric Power Company	1,011 shares
McCall Ferry Power Company	1,670 shares
Total	<u>4,000 shares</u>

In addition to the common stock, each of the three parties received its proportional share of the 5% First Mortgage Gold Bonds, the division being:

1. Susquehanna Power Company	\$ 600,000.
2. Susquehanna Electric Power Company	460,000.
3. McCall Ferry Power Company	<u>760,000.</u>
Total	<u>\$1,820,000.</u>

Except for such shares of common stock of the Susquehanna Power Company as might be required to qualify directors, all stock was to be transferred to a holding company having a nominal capital, and the stock of this holding company was to be divided on the same foot fall of river basis, namely, 30/91, 23/91, 38/91.

McCall Properties Transferred to
Susquehanna Power Company

The following securities and properties were transferred to the new Susquehanna Power Company and its subsidiaries by McCall Ferry Power Company as the result of this agreement:

<u>Capital Stock</u>	<u>No. Shares Outstanding</u>	<u>No. Shares Owned and Transferred</u>
Proprietors of the Susquehanna Canal	75	75
Conowingo Land Company	600	400
Susquehanna Construction Company	10	10
Susquehanna River Electric Company	1,000	985
Susquehanna Electric Power Company	81,568	1,760
Susquehanna River Power Company	9	9

Canal Properties

Tide Water Canal Company

Canal rights, property and franchises from Maryland-Pennsylvania State Line to Havre de Grace.

Included 29 town lots in Havre de Grace, eleven with improvements.

Archers Island.

Subject to right of way grant to Tide Water and Susquehanna River Railroad Company.

Susquehanna Canal and Power Company

Consent to construction of dam and release of damages to all property, rights, etc., below foot of Cully's Falls.

Other Companies: Consents and Releases

Conowingo Bridge Company.

Tide Water and Susquehanna River Railroad Company.

Other Properties and Releases

River frontage			
East Bank, Penn.	approx. 24,550 ft.		
West Bank, Penn.	" 23,000 ft.	47,550 ft.	
Acreage in Maryland (additional)		112 A.	
River bed in Maryland		1,395 A.	
Islands in Pennsylvania		6	

(See Exhibit No. 67)

In return for the foregoing property and rights, the McCall Company received \$750,000. of Susquehanna Power Company 5% First Mortgage Gold Bonds and 1,670 shares of Susquehanna Power Company common stock. The latter were exchanged for stock of the Susquehanna Properties Company described hereinafter. Subsequently, McCall Company used \$57,000. par of the bonds and 170 Shares of stock of Susquehanna Properties Company in connection with payment of legal services for these proceedings.

The original consolidation agreement dated February 20, 1908 was modified on June 30, 1908, chiefly for the purpose of issuing additional bonds to cover preliminary expenses. (See Exhibit No. 67)

Condemnation Cases Dismissed

The execution of the agreement of February 20, 1908, permitted the delay of argument of the pending cases successively to the April and October Terms of the Maryland Court of Appeals when they were dismissed by request of McCall Company.

Incorporation of Susquehanna Properties Company

On June 6, 1908, the Susquehanna Properties Company was formed as the "holding company" mentioned in the consolidation agreement of February 20th. Susquehanna Properties Company stock, having a par value of \$1.00 per share, was issued in exchange for the Susquehanna Power Company stock on a share for share basis.

Harlow-McGaw Properties

Under the provisions of the consolidation agreement of February 20, 1908, all the property and rights of McCall Company lying below the foot of Cully's Falls were transferred to Susquehanna Power Company and its subsidiary Sowego Water and Power Company. Substantially all of this property had been acquired from Harlow-McGaw. The net consideration to

McCall Company was \$703,000. par value of bonds of Susquehanna Power Company and 1,500 shares of Susquehanna Properties Company stock. By an agreement dated March 12, 1912, Pennsylvania Water & Power Company surrendered the bonds and stock for the sum of \$200,000. in cash and the assumption by the purchasers, Bertron, Griscom & Jenks, of the benefits and obligations remaining in the McCall Company under certain agreements with Pennsylvania Railroad dated July 2, 1906 and August 13, 1906. (See Exhibit No. 68) These properties had a fair market value of approximately \$163,000. at the time they were transferred to the Susquehanna Power and Soweg Co Companies.

At the beginning of commercial operation on October 1, 1911, the portions of the property and rights acquired from Harlow-McGaw which lay above the Holtwood pond were no longer useful for that development. In June 1930, they were sold to Safe Harbor Water Power Corporation for \$61,740. As of beginning of commercial operation of the Holtwood plant, these properties had a fair market value of approximately \$29,000.

Witmer Properties

The Witmer properties and rights were acquired at the time that a dam to elevation 185 was contemplated. The subsequent decision to build to 165 rendered practically all of these properties useless to the Holtwood project and, except for flowage rights over that part of the Mt. Atlas Tract located south of the Safe Harbor dam and 15 flowage releases at Washingtonboro, these properties which had cost approximately \$39,000., were sold to Safe Harbor Water Power Corporation in June 1930 for \$96,230. The sale price was based on fair market value as of the date of transfer and was approved by the Federal Power Commission and the Pennsylvania

Public Service Commission.

Miscellaneous Properties

Certain of miscellaneous properties and rights which had been acquired at a cost of \$5,537. in connection with the proposed 185 dam were not useful for the dam at 165. In June 1930, these were sold to Safe Harbor Water Power Corporation, on a basis of fair market value, for \$35,575.

XVI - STATUS ON OCTOBER 1, 1911, THE DATE OF
BEGINNING OF COMMERCIAL OPERATION

Financial

On the date of beginning of commercial operation, October 1, 1911, the Pennsylvania Water & Power Company and its wholly-owned transmission companies had the following securities outstanding:

	<u>P.W.&P.Co.</u>	<u>S.T.Co.of Md.</u>	<u>S.T.Co.of Pa.</u>
Capital Stock	\$8,495,000.	\$ 500.	\$ 500.
Less: Treasury Stock	<u>37,100.</u>	<u>-</u>	<u>-</u>
Net Capital Stock	<u>\$8,457,900.</u>	<u>\$ 500.</u>	<u>\$ 500.</u>
First Mortgage 5% Bonds	\$7,580,000.	\$1,031,000.	\$ 183,000.
Less: Treasury Bonds	<u>15,000</u>	<u>-</u>	<u>-</u>
Net First Mortgage 5% Bonds	<u>\$7,565,000.</u>	<u>\$1,031,000.</u>	<u>\$ 183,000.</u>

All of the stocks and bonds of the transmission companies were owned by the Pennsylvania Water & Power Company, the bonds having been issued to Pennsylvania Water & Power Company at 90 against advances for construction of the Baltimore transmission line and substation.

At this date all the funds obtained from the sale of bonds had been used in furthering the development. Subsequently, additional bonds were issued from time to time up to 1915 to obtain funds to complete the original project.

Ownership of Other River Companies

In addition to the transmission companies, the Pennsylvania Water & Power Company at this time owned the following securities of other companies along the river:

A - Stocks

<u>Company Name</u>	<u>Owned</u>	<u>Number of Shares</u>	<u>Outstanding</u>
Lower Chanceford Water and Power Company	10		10
McCall's Ferry Company	200		200
Susquehanna Canal and Power Company	2,478		2,478
Susquehanna Falls Power Company	6		6
Susquehanna Storage Lake and Power Co.	12		12
York Furnace Electric Company	24		24
Martic Water and Power Company	1,637		1,900
Susquehanna Properties Company	1,500		4,000

B - BondsPrincipal Amount

Susquehanna Power Company	\$703,000.
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The Tidewater and Susquehanna River Railroad Company, which had been controlled by Harlow-McGaw from its formation until 1905, remained under the control of Houseman thereafter. Since this company had granted flowage rights to both McCall Company and Susquehanna Power Company, it no longer presented any obstacle to a development by either of these companies.

Physical Status of Plant

As of October 1, 1911, all of the plant necessary for commercial operation was complete. This included the dam, power house substructure, deflection and wing walls, ramp, ice booms, etc. The power house superstructure had been completed for the generator room and transformer house to the center line between Units 6 and 7 where a temporary end-wall had been installed. The gate house superstructure extended to the center line between the intakes for the excitors and Unit 6. The status of the equipment will be described in the succeeding section.

Difficulties Encountered in Beginning Commercial Operation

It has previously been mentioned that the first unit of the

plant began the delivery of power to Consolidated Gas Electric Light and Power Company on October 23, 1910.

Although this unit remained in almost continuous operation until the end of 1912, it was kept in operation part of the time with considerable difficulty. Trouble developed with the bearings, the exciter, the relays, and the governors. Eventually the generator had to be rewound due to faulty insulation.

Repeated delays on the part of I.P. Morris, General Electric, and Standard Roller Bearing Company resulted in all units being installed weeks or months behind schedule. Number 2 Unit was tried out on November 5, 1910 but immediately developed bearing trouble. It was not until the middle of October 1911 that this unit was in anything like continuous service. Early in 1913 this unit also had to be rewound.

Unit 3 was placed in service March 25, 1911, Unit 4, on May 18, 1911, and Unit 5, on July 25, 1911. Unit 2 was still out of service; thus, only four of the five original units were serviceable. However, two of the five transformers had burned out and it was not until the latter part of November 1911 that all five units were in operating condition, with sufficient transformer capacity available to take care of their output. This condition lasted only until February 19, 1912, when two transformers broke down. During 40% of the entire year of 1912 there were less than five transformers available for service.

Early in September 1911 four of the five units were in service, with sufficient transformer capacity available. As a result of the study of the early operation of the plant, October 1, 1911 has been taken as the date of termination of the original construction period. Although sufficient equipment had been installed for commercial operation to begin October 1, 1911, the original project consisting of eight 25 cycle units was not actually completed until December 31, 1915.

CHRONOLOGY OF HOLTWOOD DEVELOPMENTPage

1894	Harlow-McGaw began formation of companies and acquisition of properties.	5
July 1896	Sale of Canals to Harlow-McGaw.	5
Spring 1899	Hutchinson assisted Bogart in investigation of a proposed development on the lower Susquehanna.	6
9/28/99	Partnership of York Furnace Power Company organized by Beyer & Willson.	6
1900	Several small hydroelectric plants in operation on lower tributaries of Susquehanna River.	3
8/15/00	York Furnace Electric Company incorporated.	6
Fall 1900	Hutchinson consulted in regard to effort of Beyer & Willson to develop power for use in iron ore reduction near York Furnace.	6
1901	Beginning of competition between three major interests.	3
June 1901	Hutchinson became personally interested in York Furnace Development.	6
10/1/01	Hutchinson obtained option on property held by York Furnace partnership.	7
4/3/02	Susquehanna Canal Company reorganized as Susquehanna Canal and Power Company.	5
5/23/02	Muddy Creek, Pequea, Chanceford, Conestoga, Lower Windsor, Manor, Drumore, Fulton and Peach Bottom Water & Power Companies incorporated.	5
8/14/02	Susquehanna Falls Power Company, Susquehanna Storage Lake and Power Company and Susquehanna River Power Company formed as consolidations of various township companies.	5
9/2/02	The Hillside and Susquehanna Water and Power Companies incorporated.	8
3/2/03	Bill introduced in Pennsylvania Legislature to have Susquehanna Canal and Power Company charter revoked for non-user.	9

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4/14/03	Agreement between Hutchinson and Harlow-McGaw, providing for elimination of conflicting interests.	9
1/13/05	Wm. Barclay Parsons submitted engineering report on McCall Development.	12
2/8/05	Hutchinson's plans submitted to Johnson for approval.	12, 13
2/28/05	Agreement between Chas. D. Pullen and Harlow-McGaw for Pullen to consolidate all interests on the river.	26
3/1/05	Prospectus and underwriting agreement of Dimock-Bertron-Barney.	14
March 1905	Acquisition of control of McCall development by Harvey Fisk & Sons upon failure of Dimock-Bertron-Barney underwriting.	19, 21
3/21/05	Agreement between Pullen and Susquehanna Power Company for Pullen to consolidate all interests on river.	27
3/25/05	Underwriting Agreement of Harvey Fisk & Sons.	22
4/5/05	Agreement between Pullen and Harlow-McGaw to place in control of Susquehanna Canal and Power Company, all property of Harlow-McGaw and Susquehanna Power Company.	28
4/13/05	Pennsylvania passed law further restricting right of eminent domain for water power companies.	35
4/14/05	Incorporation of McCall Ferry Power Company through consolidation of The Hillside and Susquehanna Water & Power Companies.	34
4/18/05	Houseman proposed to Harvey Fisk & Sons a consolidation of Harlow-McGaw interests with McCall Ferry Power Company.	29
4/27/05	Agreement by Harlow-McGaw to sell to Harvey Fisk & Sons all their interests on the river.	30
	Geo. K. McGaw individually sold to S. R. Bertron stock control in certain companies.	32
4/29/05	Assignment by Pullen to Bertron, Storrs & Griscom of three agreements to consolidate Harlow-McGaw and Susquehanna Power Company interests.	32
5/15/05	Arrangement by Harvey Fisk & Sons with Knickerbocker Trust Company for loans on bond and stock purchase agreements.	36

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5/22/05	First corporate meeting of McCall Ferry Power Company.	35
6/12/05	Incorporation of Susquehanna Contracting Company.	37
6/13/05	McCall bond and stock increase authorized.	41
	Agreement between Susquehanna Contracting Company and McCall Ferry Power Company to finance McCall Development and transfer properties to McCall Ferry Power Company.	39
6/14/05	Agreement dated April 27, 1905 between Harlow-McGaw and Harvey Fisk & Sons assigned to Susquehanna Contracting Company.	43
	Agreement for sale of Hutchinson properties, etc., to Susquehanna Contracting Company.	42
	Harvey Fisk & Sons assigned bond and stock purchase agreements and loan arrangement to Susquehanna Contracting Company, and were appointed its agents to carry out the provisions of the purchase agreements.	38
6/15/05	McCall Company mortgage executed with Knickerbocker Trust Company as Trustee.	43
	Agreement between Susquehanna Contracting Company and Harlow-McGaw verified obligations transferred by assignment of Harvey Fisk & Sons' agreement to Susquehanna Contracting Company.	43
6/16/05	Assignment of Pullen option from Bertron, Storrs & Griscom to Susquehanna Contracting Company.	43
6/20/05	Agreement between Hutchinson and Susquehanna Contracting Company for removal of title defects.	43
8/7/05	Dam crest elevation of 185 recommended.	55
8/8/05	New Board of Directors and officers elected.	44
8/11/05	Call for bids for construction.	56
10/2/05	Witmer properties acquired.	105
10/18/05	Contract with Cooper to manage hydraulic construction.	57
10/24/05	Construction began.	60
10/25/05	Contract with Sanderson & Porter to superintend the electrical construction, and manage accounts.	59

11/1/05	Loan agreement of Susquehanna Contracting Company with Knickerbocker Trust Company.	39
1/13/06	Purchase of Robert Fry property.	104
1/20/06	Agreement for deposit of stock with Voting Committee.	45
1/29/06	Incorporation of McCall Ferry Supply Company.	60
2/16/06	Agreement with Pennsylvania Railroad for relocation of C. & P. D. R. R. based on elevation 185.	59
4/14/06	Contract with Kerbaugh for railroad relocation work based on elevation 185.	60
6/19/06	Dam crest fixed at elevation 165.	63
July 1906	Condemnation suits instituted against McCall Ferry Power Company by Susquehanna Power Company?	106
8/13/06	Agreement with Pennsylvania Railroad for relocation of C. & P. D. R. R. based on elevation 165.	63
8/15/06	Contract with Kerbaugh for Cully's Cut.	66
8/27/06	Contract with Kerbaugh for railroad relocation work based on elevation 165.	64
12/21/06	Purchase of Piney Island.	104
1/14/07	Court Order authorizing construction of dam.	70
3/13/07	Contract executed for sale of power to Consolidated Gas Electric Light and Power Company.	70
April 1907	McCall Company took over excavation of Cully's Cut.	67
5/22/07	Bertron, Storrs & Griscom obtained control of Susquehanna Electric Power Company.	107
6/27/07	Incorporation of Susquehanna Pole Line Company of Baltimore County.	99
6/28/07	Contract executed for sale of power to United Railways & Electric Company.	71
Summer 1907	Additional financing considered.	71
8/13/07	Incorporation of Susquehanna Pole Line Company of Harford County.	99
10/21/07	Knickerbocker Trust Company went into receivership.	72

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11/1/07 Curtailment of construction.	73
January 1908 Balance of loan from Knickerbocker Trust Company became available.	74
2/20/08 Consolidation agreement executed by McCall Ferry Power Company, Susquehanna Electric Power Company and Susquehanna Power Company.	107
April 1908 Construction work resumed on Cully's Cut.	67
6/6/08 Susquehanna Properties Company incorporated.	110
6/30/08 Amendment to consolidation agreement between McCall Ferry Power Company, Susquehanna Electric Power Company and Susquehanna Power Company.	110
10/20/08 Agreement between McCall Ferry Power Company and Susquehanna Contracting Company providing for additional funds for financing.	75
October 1908 Condemnation suit by Susquehanna Power Company dismissed.	110
	Negotiations begun for refinancing McCall Development.
10/28/08 Susquehanna Contracting Company obtained loans of \$100,000. from each of the following - Harvey Fisk & Sons, Lee, Higginson & Company, Bertron, Storrs & Griscom and C. A. Coffin.	75
11/1/08 McCall Company funds exhausted.	76
11/2/08 Knickerbocker Trust Company renews loans to deferred subscribers upon payment of an additional 20% installment.	76
11/18/08 Incorporation of Lower Chanceford Township Transmission Company.	100
	Incorporation of Peach Bottom Electric Transmission Company.
12/7/08 Bondholders' Committee sent out notice of impending default on bond interest.	79
	Preliminary agreement for deposit of bonds.
12/15/08 McCall Ferry Power Company defaulted on bond interest.	79, 87
4/24/09 Aldred submitted proposed plan to Bondholders' Committee which was accepted.	81

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1/27/10	Mortgage executed with Knickerbocker Trust Company, Trustee.	94
2/7/10	New voting trust agreement due to change in par of stock.	94
2/21/10	Receiver's report filed.	94
3/3/10	Reports of Bondholders' Committee and Aldred as to their receipts and disbursements accepted by Pennsylvania Water & Power Company.	94
3/18/10	Aldred, Receiver, discharged.	94
4/19/10	Susquehanna Pole Line Companies of Baltimore and Harford Counties consolidated to form Susquehanna Transmission Company of Maryland.	100
4/26/10	Lower Chanceford Township Transmission Company and Peach Bottom Electric Transmission Company consolidated to form Susquehanna Transmission Company of Pennsylvania.	100
5/2/10	Full Board of Directors replaced temporary board.	97
8/29/10	Power contract signed with Consolidated Company.	97
10/23/10	Delivery of power started.	97
2/8/11	United Railways' power contract signed.	98
March 1911	Susquehanna Transmission Company of Pennsylvania issued \$163,000. of bonds at 90 to Pennsylvania Water & Power Company in payment of advances for construction.	101
September 1911	Susquehanna Transmission Company of Maryland issued \$1,031,000. of bonds at 90 to Pennsylvania Water & Power Company in payment of advances for construction.	101
10/1/11	Beginning of commercial operation.	115

Note

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